DRN-5178260

The complaint

Mr B complains about the poor performance of his Group Personal Pension (GPP). He feels this was caused by Aviva Life & Pensions UK Limited (Aviva)'s mismanagement.

What happened

Mr B took out a GPP with Aviva through his employer. It started in February 2011 when he was working for a business I'll refer to as business T. Both he and business T planned to pay monthly contributions into the pension for his benefit.

Aviva sent Mr B a welcome pack dated 4 March 2011. It explained how his policy would work.

When Mr B took out the pension, his original retirement date was in October 2019. The contributions into his pension were initially invested in a Defensive Managed Fund. But as Mr B had chosen the lifestyling option, this meant his funds would automatically switch over time. So that once he was five years away from his chosen retirement age in October 2014, his funds would be invested as follows:

- 75% of his funds would be invested in the Aviva Long Gilt S6 Fund (the Long Gilt fund) and
- 25% of his funds would be invested in the Aviva Deposit S6 Fund (the Deposit fund).

The welcome pack explained that Mr B could stop the lifestyling at any time. It also stated:

"*You may wish to change funds or redirect future contributions in a different way to the Lifestyling approach you have chosen. If you do this, the [lifestyling] approach must stop*".

The welcome pack also explained that if Mr B changed his retirement date, the Lifestyling approach would automatically stop. It also explained that Mr B could change his fund choices at any time. It explained how to do this.

Mr B decided to change his original retirement date. He first changed this to October 2021. Aviva wrote to Mr B on 7 October 2019 about his decision to change his retirement date. Its letter stated the following:

"As you've decided to change the retirement date of your plan, the Lifestyling feature you had on your plan has now ended. This feature moved your investment gradually over into potentially fewer volatile funds as you approached your normal retirement date.

Now that you've extended your retirement date, it may be a good time to think about your investment choice.

Any future investments you make into your pension will be invested in the percentages below.

Deposit Fund - 25%

Long Gilt Fund - 75%"

I understand Mr B stopped working for business T in October 2022.

Aviva sent Mr B annual pension statements. His statement for 2022 gave his fund value as at 1 November 2021 as £45,968.89. Mr B said he had intended to retire that year. But he'd decided to work an extra year to try to increase his pension's value to £50K. He'd therefore added over £4,600 to his pension over that year. Despite these additional contributions to his pension, the value of his fund had fallen by £13,919.74 to £36,458.96 as at 31 October 2022.

Mr B's 2023 statement showed that the value of his pension as at 31 January 2023 was £36,292.30. This meant his pension hadn't gained any of the value it'd lost over the previous statement year.

I understand that Mr B again deferred his retirement date to October 2024.

Mr B contacted Aviva on 11 April 2024 to ask it to explain why it'd allowed the value of his pension to fall so much. He said its adviser had told him when he'd taken out the pension that in his last two years it would be locked into safe investments.

Mr B also wanted to know why Aviva was still deducting charges despite losing his money.

Aviva responded to the complaint on 22 April 2024. It didn't think it'd done anything wrong, noting that market volatility was outside of its control. It said it wasn't authorised to make investment decisions for Mr B. And that his pension documents had made it clear that he could switch to other funds at any time without charge if he was unhappy with the funds he held. It also felt that the annual statements it'd sent Mr B had reminded him to regularly review his funds to ensure they remained suitable for him. It suggested that he considered using a financial adviser to help with this.

Aviva also noted that the charges Mr B paid were for servicing his pension, and that they weren't linked to fund performance.

Aviva acknowledged Mr B's comments about the financial advice he said he'd received when setting up his pension. It apologised for any misleading information he'd been given. But said that Mr B's pension could never be in a position of no risk, as it would always remain invested in assets which carried some sort of risk.

Mr B was unhappy with Aviva's response. So he brought his complaint to this service. He said his GPP with Aviva was his only pension. And that he'd been told when he took it out that in the last two years before his planned retirement his pension would be invested in low risk Gilts.

Mr B said that Aviva had failed to clearly explain to him how it could've lost over 25% of his pension pot in one year, just as he was going to retire. He felt the loss must be a mistake.

Mr B also felt it was unfair for Aviva to continue to charge him a maintenance fee while his pension was decreasing in value. He said the situation had put a great strain on his financial future. And that it'd caused his health to significantly deteriorate.

Our investigator didn't think Aviva had done anything wrong. She said she hadn't found any evidence that Aviva had mismanaged Mr B's funds or failed to act on any of his instructions. She said that the evidence showed that Aviva had invested Mr B's funds in the lifestyling strategy he'd chosen. And that it had correctly moved his assets over time in line with that strategy.

Our investigator acknowledged how difficult the financial loss had been for Mr B. But noted that the poor performance he'd suffered was fairly typical of similar funds during the period in question. She felt that there'd been several factors which had resulted in the poor investment performance, none of which Aviva was responsible for.

Mr B didn't agree with our investigator. He didn't think Aviva had acted correctly. He made the following points:

- He was still finding it difficult to speak to anyone on the telephone. And when he had spoken to someone from Aviva, he felt they hadn't given him any sensible answers.
- He still found it hard to believe that despite Aviva having lost his money, it had continued to charge him for doing so. He didn't think this was reasonable.

Mr B said he now wanted to take all of his money out of Aviva. But felt he was stuck as he could only take 25% tax free and would then get taxed on the rest. He explained how stressful he was finding the situation. And said it had made his health worsen considerably.

As agreement couldn't be reached, the complaint has come to me for a review.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I can't fairly uphold the complaint, for the following reasons.

I don't think Aviva has made any errors here. I think it managed Mr B's pension investments in line with the terms and conditions of his plan. And it was Mr B's responsibility to ensure his investments were appropriate for him.

I know my decision will be disappointing for Mr B. I'll explain the reasons for it.

Mr B didn't think that Aviva had acted correctly. So I first considered if Aviva gave him any advice. Within this, I also considered if there was any evidence that Aviva should've advised him on the lifestyling programme.

Did Aviva give Mr B any advice?

I acknowledge that Mr B said Aviva's representative told him that his pension would be invested in safe funds during the last two years before retirement. While I don't doubt Mr B's recollection of events, I'm not persuaded that this was the case.

I say this because Aviva didn't offer any funds of this sort within Mr B's GPP. And the Lifestyle programme Mr B chose to invest in offered to switch his money gradually into potentially less volatile funds so that 75% of his fund was invested in the Long Gilt fund and 25% in the Deposit fund five years from his selected retirement date.

As I'm satisfied that the information Mr B was provided with in the welcome pack was clear on this point, I can't reasonably agree that Aviva's representative told him something different.

I've not seen any evidence that Aviva was responsible for the sale of Mr B's pension plan, or for giving him any personal advice on what was suitable for him. I think it's more likely that the GPP was chosen by business T. Aviva was the administrator and plan provider, not the adviser. As such, Aviva is unable to give financial advice. I'm therefore not persuaded that Aviva gave Mr B any advice.

I'm satisfied that the welcome pack Aviva sent to Mr B in 2011 provided a clear explanation of how his chosen lifestyle investment programme would work. And that it explained that Mr B could change his investment funds if he wanted to. I'm also satisfied that the annual statements Aviva sent to Mr B over time made this clear.

Overall, I'm satisfied that Aviva had no part in the choice of the lifestyle investment programme Mr B's complaint is about.

I've also considered if the documentation Aviva sent to Mr B made it clear what he needed to do if he wanted to change his investments. Having done so, I'm satisfied that documentation Aviva has sent to Mr B over the years provided clear information about how investments could be changed. Therefore I'm of the view that Mr B was fairly informed about how to make investment switches.

Mr B's complaint is based on the poor performance of his investments over a particular period. So I next considered whether Aviva can fairly be held responsible for this.

Is Aviva responsible for the poor performance of Mr B's investments?

I've noted earlier that Aviva didn't give Mr B any advice. I also consider that Aviva made it clear to Mr B that the investment of his pension was his responsibility. But I also need to consider if Aviva managed Mr B's investments in line with its terms and conditions.

Mr B was invested in the lifestyle programme which targeted 25% in the Deposit Fund and 75% in the Long Gilt fund at his initial chosen retirement age of October 2019. Unless Mr B instructed Aviva to change this, this meant that he should have been invested 25% in the Deposit Fund and 75% in the Long Gilt fund from October 2014, five years before his initial chosen retirement age.

I've not been provided with any evidence that Mr B gave Aviva an investment instruction which it failed to follow. I'm therefore satisfied that Mr B's funds have correctly remained in the Deposit Fund and Long Gilt fund since October 2014.

Aviva has provided this service with evidence that it applied the lifestyling approach correctly in line with Mr B's instructions. And that from October 2014, he was invested 25% in the Deposit Fund and 75% in the Long Gilt fund. It has also confirmed that as Mr B had first changed his retirement age at the point that the lifestyling had completed, his funds had remained invested within the same percentage split. I'm therefore satisfied that Aviva has applied the lifestyling approach correctly.

While I understand that Mr B feels Aviva must be in some way responsible for the poor performance of his pension, I don't agree that Aviva has failed to manage his pension properly.

I say this because it isn't Aviva's role to actively manage Mr B's funds, so it isn't responsible for the performance of those funds. Instead, as the pension provider and administrator, Aviva's role is to provide information about fund choices to its customers, so that they can make an informed decision about where to invest, and then to invest its customers' funds in line with their instructions. Aviva doesn't give advice on the best way to invest funds, it simply acts on its customers' investment instructions.

I've seen no evidence that Aviva failed to carry out its role. From what I've seen, Aviva managed Mr B's pension in line with his chosen lifestyling programme. Therefore I can't fairly hold it responsible for the performance of the chosen funds.

I also note that Mr B considered it was unfair that he'd continued to pay charges to Aviva despite his massive losses. In its complaint response, Aviva told Mr B that the charges he paid were for the servicing of his pension, and therefore they were unrelated to fund performance.

I can't fairly agree with Mr B on this point. I say this because the evidence shows Aviva correctly managed Mr B's pension. So it wouldn't be fair or reasonable to ask it not to charge Mr B for that service, regardless of the performance of the underlying investments.

I understand why Mr B is disappointed in the performance of his pension over the period in question. It must have been a shock to see such a large reduction to his pension fund's value.

It should be noted that the aim of the lifestyling programme Mr B was invested in was to lower risk for a customer who intended to take a 25% tax-free cash lump sum at their intended retirement date. And to use the remaining 75% of the fund to purchase an annuity. So the programme tried to ensure that its value was linked to the price of annuities. It didn't aim to ensure that the fund value didn't fall.

Mr B has told this service that he's found it difficult to contact Aviva by phone. And that when he has got through, he hasn't felt they've responded properly to his questions. While I acknowledge these points, I can't see that Mr B has raised them with Aviva. As such, I can't fairly consider them in this decision. But Mr B can raise a further complaint about these points with Aviva if he wants to.

Mr B has also noted that he would like to take all of his money out of Aviva, but that he is concerned about the tax charge he'd incur. I understand why Mr B feels this way. But as his money is tied into his pension, 75% of it will be taxed when he wants to take it out of his pension, regardless of which provider he's with.

I'm sorry that Mr B's pension fund has gone down in value. I appreciate that this has caused him stress and severe disappointment, and that it has also badly affected his health. But I've seen no evidence that Aviva advised him to invest in the lifestyling programme. Nor have I seen any evidence that it was incorrectly operated.

I've also seen no evidence that the lifestyling programme provided guarantees about fund values. Instead, it's aim was to ensure that Mr B could target a 25% tax-free cash lump sum and use the remaining 75% of his fund to purchase an annuity. This is a standard lifestyle arrangement offered by most pension providers. I therefore can't fairly hold Aviva responsible for the poor performance of Mr B's pension. And I can't uphold the complaint.

My final decision

For the reasons set out above, I don't uphold Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 12 May 2025.

Jo Occleshaw
Ombudsman